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Report Highlights:

With a large crop on the horizon and average domestic prices forecast for MY 2001/02, avocado exports are forecast to reach 70,000MT. Now that the number of US states to which Mexican avocados can be exported has been increased and the shipping season lengthened, exports to the US are expected to rise to 25,000MT for MY2001/02.

Includes PSD changes: Yes Includes Trade Matrix: Yes Annual Report Mexico [MX1], MX

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Avocado Situation and Outlook

Mexican avocado production for MY 2001/02 (August/July) is forecast at 970,000 MT, due to favorable weather conditions, ongoing phytosanitary programs which have successfully controlled pests, and nearly 80 percent of young/mature bearing trees reaching peak production. Although hail and low temperatures are expected in the Uruapan area, production will not be affected significantly and is forecast to be higher than that of MY 2000/01. Moreover, growers expect the Michoacan avocado crop to increase significantly, because higher yields normally follow a lower-yield year. Also, growers expect that exports will increase significantly to 70,000 MT. FAS/Mexico bases this forecast on a blend of data gathered from industry sources during recent travel to the city of Uruapan, which is in the principal growing region in the state of Michoacan.

Production and harvested area figures for MY 2000/01 have been revised upward reflecting the most recent Secretariat of Agriculture, Livestock, Rural Development, Fishery and Food (SAGARPA) information. Figures for yields obtained in Michoacan in MY2000/01 were consistent with the historic average, due to good weather conditions, efficient phytosanitary control, and adequate agricultural practices. Hass continues to be the principal avocado variety grown and exported by Mexico. For MY1999/00, production as well as harvest and planted area remains unchanged, reflecting SAGARPA's most recent data. Fresh avocado consumption in Mexico during MY2001/02 is expected to increase 6.7 percent from MY2000/01 to 855,000 MT, as a result of ample supplies and affordable prices.

The APHIS-administered export inspection program for shipping Mexican avocados to selected states of the United States continues working successfully. On November 1, 2001, USDA/APHIS published in the U.S. Federal Register the "Mexican Avocado Import Program Final Rule," which increased the number of states where Mexican Hass Avocados can be distributed and lengthened the shipping season.

Although the increased number of states represents a larger market for Mexican avocados, the avocado industry will enforce regulatory marketing measures for the MY2001/02 season in order to avoid excessive Mexican shipments to the United States which could subsequently result in plummeting prices. The industry expects to export approximately 25,000 MT to the United States during the November-April 2001/02 season. Currently, APHIS has approved approximately 11,897 hectares eligible to export to the 31 states which are now open to the Mexican crop.

PSD Table						
Country	Mexico					
Commodity	Fresh Avo	cados	(HECTARE	ES)(1000 T	REES)(100	0 MT)
	Revised1999		Preliminary2000		Forecast2001	
	Old	New	Old	New	Old	New
Market Year Begin	08/1999		08/2000		08/2001	
Area Planted	95010	95010	100925	94370	0	95004
Area Harvested	78337	78337	85000	92863	0	95000
Bearing Trees	0	0	0	0	0	0
Non-Bearing Trees	0	0	0	0	0	0
TOTAL No. Of Trees	0	0	0	0	0	0
Production	876623	876623	650000	898168	0	970000
Imports	0	0	0	0	0	0
TOTAL SUPPLY	876623	876623	650000	898168	0	970000
Exports	22415	22415	35000	52475	0	70000
Fresh Dom. Consumption	809208	809208	570000	800693	0	855000
Processing Consumption	45000	45000	45000	45000	0	45000
TOTAL DISTRIBUTION	876623	876623	650000	898168	0	970000

General Production

Mexico's avocado production in MY 2001/02 (August/July) is expected to increase to 970,000 MT. This is mostly attributed to favorable weather conditions and to a well-planned reforestation scheme in most authorized orchards, where 7-8 year old bearing trees are reaching peak production at the same time as older bearing trees. Although hail and low temperatures are common in the Uruapan area throughout the winter season, production in mature bearing trees is not expected to be affected significantly. Since the flowering stages were not adversely affected by weather conditions in early CY2001, the MY 2001/02 Michoacan crop is expected to result in higher yields and larger-sized fruit.

Last year, in an effort to avoid market saturation and subsequent plummeting prices, Michoacan avocado producers agreed to delay the marketing of the MY 2000/01 crop by not picking the avocados off the tree. As delaying the onset of fruit picking stresses the trees by retarding the next blooming stages, lower production was expected for that year. Nevertheless, despite this, the 2000/01 crop exceeded production expectations and was sufficient to meet both foreign and domestic demands. In general, domestic prices during 2000/01 were more attractive than foreign ones.

The production estimate for MY2000/01 has been revised upward according to latest official SAGARPA data. However, private industry records show that production in MY2000/01 barely reached 850,000 MT, 5.6 percent lower than the official figures. It should be noted that private industry sources usually do not agree with the official data put out by SAGARPA.

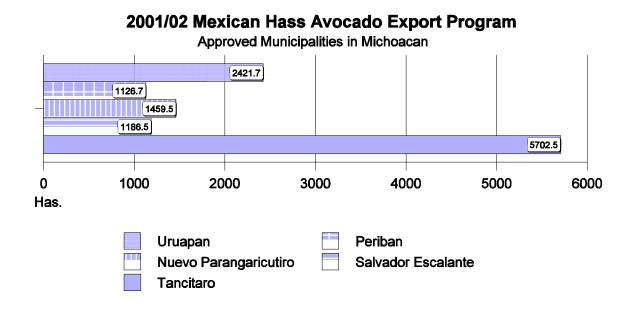
The state of Michoacan accounts for 82 percent of the total planted area for avocados; the remaining 18 percent of planted area is scattered throughout twenty-eight Mexican states.

Crop Area

Official sources forecast the planted area for MY 2001/02 to increase to 1,000 hectares, up slightly from the previous year. Industry sources indicate that this expansion of avocado groves in Michoacan and other Mexican states is limited due to input constraints, such as restrictions on land usage. The Michoacan nursery industry continues to supply breeding plants to other Mexican states. Currently, 11,897 hectares have been certified under the APHIS-administered export inspection program for shipping Mexican avocados to selected states of the United States.

The Tancitaro municipality currently accounts for nearly 48 percent of the area in Michoacan authorized to export to the United States; of this approximately 400 hectares are devoted to the production of organic avocado. Due to Tancitaro's climate and geographic location, which is characterized by mid-altitude lands, producers can implement efficient phytosanitary control measures and completely eliminate the use of pesticides or other chemical agents. Lately, the production of organic avocado has been spurred by both increased international demand for these products, as well as the higher profit margins growers can get from organic produce.

The estimated planted area for MY 2000/01 was revised downward based on official SAGARPA data.



Inputs

Avocado production was generally profitable during MY2000 /01, due to acceptable domestic retail prices and relatively stable production costs. In Michoacan, positive financial returns have given growers an incentive to use cultural practices that maximize yields and minimize losses. According to industry sources, the total production cost per hectare for avocados in MY 2000/01 was 34,517 pesos (roughly US\$ 3,736) for an eight-year-old orchard with an average yield of 8-15 MT/ha. The total cost per kilogram in an 8-MT/ha grove was 4.31 pesos (US\$ 0.47) while for a 15-MT/ha. was 2.30 pesos (US\$ 0.25). Growers pointed out that production costs vary depending on inputs, type of land and technology used. Land use restrictions under Mexico's reforestation program continue to limit the conversion of reforested land to avocado groves.

ESTIMATED PRODUCTION COST BUDGET FOR AN 8 YEAR-OLD AVOCADO GROVE IN URUAPAN, Michoacan (PESOS/HECTARE/YEAR)			
COST DESCRIPTION	MY 2000/01		
Cultural Practices	1,196.00		
Fertilizers	7,144.06		
Phytosanitary Control	5,108.61		
Machinery and Equipment	9,112.92		
Others	6,164.69		
Sub Total	28,726.27		
Financial Cost (GDP)	5,791.22		
Total Cost	34,517.49		

11/01 Exchange Rate Avg.: US\$1.00 = 9.24 Pesos

SOURCE: Uruapan Agricultural Association of Avocado Producers.

Yields

According to official sources, average yields are estimated to increase to 10.2 metric tons per hectare in MY2001/02 compared to 9.67 MT/ha in MY2000/01.

Crop quality

In Michoacan, the quality of the MY2000/01 season's Hass crop was good, due to favorable weather conditions and adequate water supplies. Furthermore, crop quality has continued to improve because of pest control measures and better cultural practices that maximize yields and minimize losses. Crop quality for the MY2001/02 is expected to be excellent due to timely blooming stages combined with good weather and normal water availability. Reportedly, there are some areas in Michoacan that do not need irrigation because of high soil moisture. In the irrigated areas, most growers have moved to fixed sprinkler or drip systems; a few growers still use flood or moveable pipe irrigation.

Policy

Mexico has continued to implement its avocado phytosanitary requirements and procedures for the transportation of fresh avocado within the country. On July 10, 2001, SAGARPA published the proposal of modification PROY-MOD-NOM-066-FITO-2001 (see MX1118). Overall, the objective of this proposal is to amend the established phytosanitary requirements and specifications for the movement of avocados intended for export and domestic markets. If approved, processing, packaging, trading facilities, supply centers, and other areas devoted to the avocado production designated by SAGARPA will be subject to this rule. The changes and additions to the original text are proposed in an attempt to improve the quality of produce for export and domestic markets as well as to protect important producing regions from the avocado weevil (Heilipus lauri, Conotrachelus aguacatae, C. persea) and the avocado seed moth (Stenoma catenifer). The goal of this regulation is to facilitate exports by protecting the principal production regions from pest infestations. The Michoacan Plant Health Agency states that currently almost the entire state is considered a low prevalence pest area for both pests, which increases its potential to export fruit.

The Mexican government provides no direct subsidies or special tax incentives for avocado production.

CONSUMPTION

The vast majority of Mexico's avocado production continues to be consumed domestically. Fresh domestic consumption is forecast in MY 2001/02, to 855,000 MT, up approximately 6.7 percent from the revised MY2000/01 figures due to large supplies and affordable prices. The estimated consumption for MY 2000/01 was revised upward according to the latest official information. Mexican consumers generally view avocados as a staple food, not as a luxury food as do consumers in many regions of the United States and the EU. The average per capita consumption in Mexico is about 10 kg. which is above the world average (3 to 5 kg.). Nevertheless, private industry sources indicate that 15 percent of the Mexican population does not consume avocado, due to unjustified assertions that avocados's high fat content and cholesterol levels are unhealthy.

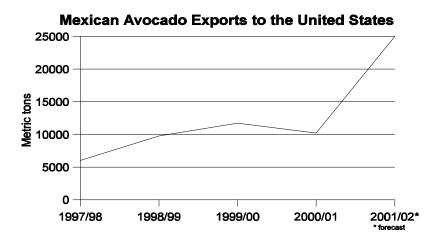
Avocado Prices

WHOLESALE AVOCADO PRICES			
Month	2000	2001	Change %
January	5.87	11.36	93.53
February	5.54	11.05	99.46
March	5.17	11.32	118.96
April	5.01	12.00	139.52
May	4.89	13.10	167.89
June	4.79	13.32	178.08
July	5.24	10.55	101.34
August	9.46	6.88	(27.27)
September	8.45	7.15	(15.38)
October	7.15	6.12	(14.41)
November	6.39	N/A	N/A
December	8.85	N/A	N/A
pesos/kilogram			

SOURCE: Servicio Nacional de Información de Mercados 2000 Exchange Rate Avg.: U.S. \$1.00 = 9.40 pesos November 21, 2001. Exchange Rate U.S. \$1.00= 9.20 pesos

TRADE

Mexican avocado exports are forecast to reach 70,000 MT in MY2001/02, due to larger supplies and the expectation that average prices will prevail in the domestic market. Exports in MY2000/01 reached 52,475 MT, which surpassed the initial estimate of 35,000MT, and is attributable to an unexpectedly larger crop which allowed producers to meet both foreign and domestic demand. The export market continues to be profitable to producers, according to official and private sources.



In MY2000/01, Mexican exports to the United States reached nearly 11,000MT. Currently, growers expect to export approximately 25,000 MT to the United States during the November-April 2001/02 season. The principal reason is that APHIS has approved approximately 11,897 hectares eligible to export to the 31 states now open to the Mexican crop. Recently, growers have decided that only 2 MT/ hectare will be exported to avoid flooding the U.S. market and a subsequent decrease in avocado prices. While 2 MT/hectare is the maximum volume a single grower can export per season, each grower can only export 1 MT at a time; once all growers on APHIS's list of authorized growers have exported their 1 MT, each grower has the opportunity to export the second and final MT. Officially, thirteen packers are considered eligible to export Mexican avocados to the United States under the APHIS export program.

	APHIS EXPORT PROGRAM ELIGIBLE PACKERS		
	EXPORT SEASON 2001/2002		
1	Agrícola Alex		
2	Agrifrut SA de CV		
3	Aguacates Peribán		
4	Aguamich SA de CV		
5	Avoperla SA de CV		
6	Calavo de México SA de CV		
7	El Durazno SA de CV		
8	Fresh Directions Mexicana		
9	Frutas Finas Gertrudis		
10	Mission de México SA de CV		
11	Grupo Corporativo Purépecha		
12	Empacadora San Lorenzo		
13	Vifrut SA de CV		

Export prices in MY 2000/01 were approximately US\$22.50 per 11.3 kg (24.91 Lbs.). For MY2001/02 prices are expected to be consistent with the historic average. However, this may change as lower-priced and low quality Chilean avocados enter the market and begin to aggressively compete with Mexican avocados. Nevertheless, Mexican producers are optimistic about obtaining attractive prices for their produce, based on the traditional premium quality of avocados destined for export.

Trade Matrix

EXPORTS FOR 2000(Jan-Dec)TO:		IMPORTS FOR 2000 (Jan-Dec) FROM:	
U.S.	7,019	U.S.	0
EL SALVADOR	15,616		
COSTA RICA	7,944		
HONDURAS	6,674		
GUATEMALA	6,052		
CANADA	5,330		
OTHER	3,840	OTHER	0
GRAND TOTAL	52,475	GRAND TOTAL	0

Source: Global Trade Information, "World Trade Atlas", México Edition. December 2000.

TRADE POLICY

Under NAFTA, fresh avocado imports (HS 08.04.40.01) from the United States are subject to a US\$0.02857/Kg duty for CY2001. The tariff will be phased out by January 1, 2003. Imported avocados are also subject to phytosanitary and sanitary inspections by SAGARPA. Although Mexico allows imports of U.S. avocados, few, if any, will enter because U.S. exporters can sell their product for a higher price in the United States or other countries.

On November 1, 2001, USDA/APHIS published in the U.S. Federal Register the "Mexican Avocado Import Program Final Rule," which increases both the number of states where Mexican Hass Avocados can be distributed as well as lengthens the shipping season. Since the 1997/98 season, imports from approved orchards in Michoacan have been allowed to export to the United States for distribution in the states of Connecticut, Delaware, the District of Columbia, Illinois, Indiana, Kentucky, Maine, Maryland, Massachusetts, Michigan, New Hampshire, New Jersey, New York, Ohio, Pennsylvania, Rhode Island, Vermont, Virginia, West Virginia, and Wisconsin during the months of November through February. Under this final rule, distribution will be expanded to include the states of Colorado, Idaho, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, North Dakota, South Dakota, Utah, and Wyoming. The shipping season will also be expanded to run from October 15 through April 15.

Furthermore, Mexican avocado producers, packers and exporters are looking forward to exporting to the entire US territory in the short term. Currently, the avocado sector is financing research to scientifically demonstrate that the avocado is a natural non-host of the fruit fly pest, which is the main argument limiting the opening of the entire US market for Mexican avocados.

MARKETING

On July 13,2001, the "Proposed Hass Avocado Promotion, Research, and Consumer Information Order" was published in the US Federal Register asking for comments on the proposed promotional fees of 2.5 cents per pound to be assessed on both domestic and imported Hass avocados. Although Mexican producers and packers consider themselves to be at a disadvantage because the campaign will be promoted throughout all of the fifty U.S. states while Mexican avocados can in fact only enter selected states, they agreed to pay this fee once access to the U.S. market was increased to allow export to 31 states and to lengthen the shipping season.

The Mexican avocado industry continues to develop new alternative export markets with several EU countries. The 20,000 MT quota under the signed EU free trade agreement has not yet brought benefits to producers because the three-month shipping window (June-August) occurs at the end of Mexico's marketing year, when supplies of avocados are at their smallest.

For MY 2001/02, Mexican growers and exporters are planning to conduct a domestic advertising campaign to promote avocado consumption which will focus on the approximately 15 percent of Mexican population which do not regularly consume avocados. Promotional costs will be raised by establishing a \$0.05/kilo fee. Moreover, the Mexican avocado sector is pressing SAGARPA to conduct a government advertising campaign to also promote avocado consumption.